

CITY OF MILFORD
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
Milford, Utah

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Utah, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Milford's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Milford, Utah, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2009, on our consideration of the City of Milford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing*

Mayor & City Council
August 12, 2009
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Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Schedule of Impact Fees Received, Spent and Ending Balances, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hinton, Burdick, Hall & Spilker, PLLC

Hinton, Burdick, Hall & Spilker, PLLC
August 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Milford we offer readers of the City of Milford's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$3.65 million at the close of the fiscal year.
- Total net assets (governmental & proprietary funds) increased by \$689,133.
- In the General Fund, expenditures exceeded revenues by \$73,113.
- Total revenues from all sources were \$2.5 million, which includes \$845,332 thousand in revenue from the Water & Sewer funds.
- Total long-term liabilities of the City are \$1,340,378.
- At the end of the current fiscal year, unrestricted fund balance for the City's governmental and proprietary funds were \$(91,623) and \$180,618 respectively.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements, which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$3.6 million as of June 30, 2009 as shown in the following condensed statement of net assets.

Statement of Net Assets

	Governmental activities		Business-type activities	
	2009	2008	2009	2008
Current and other assets	\$ 353,669	\$ 271,181	\$ 522,817	\$ 448,303
Capital assets	2,072,957	1,648,874	2,475,448	2,377,782
Total assets	2,426,626	1,920,055	2,998,265	2,826,085
Long-term liabilities outstanding	34,161	51,350	1,306,217	1,448,137
Other liabilities	378,749	240,954	58,653	47,721
Total liabilities	412,910	292,304	1,364,870	1,495,858
Net assets:				
Invested in capital assets, net of related debt	2,045,442	1,597,524	1,169,231	929,645
Restricted	59,897	59,897	283,546	245,119
Unrestricted	(91,623)	(29,670)	180,618	155,463
Total net assets	\$ 2,013,716	\$ 1,627,751	\$ 1,633,395	\$ 1,330,227

Governmental Activities

The cost of all Governmental activities this year was \$1,304,600. As shown on the comparative statement presented below; \$251,793 of this cost was paid for by those who directly benefited from the programs; \$739,903 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental tax revenues were \$533,023. Miscellaneous revenues totaled \$88,787.

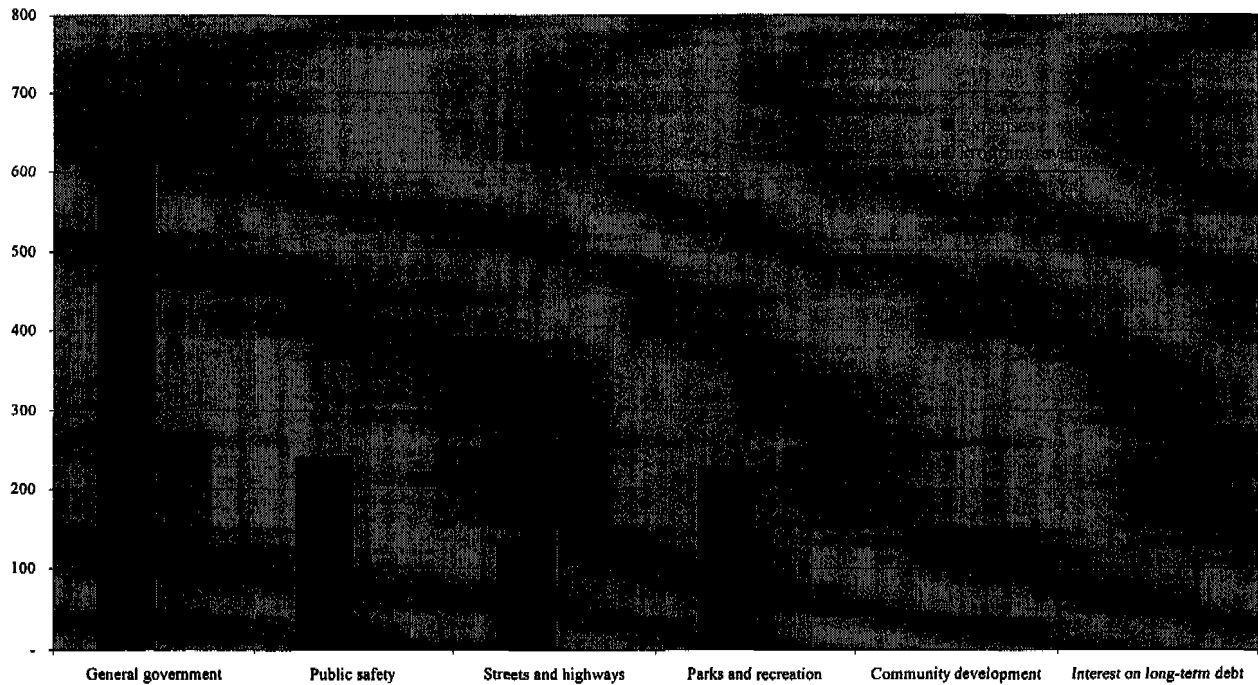
The City's programs include: general government, public safety, streets and highways, parks and recreation, community development. Each program's revenues and expenses are presented below.

	Changes in Net Assets			
	Governmental activities		Business-type activities	
	2009	2008	2009	2008
Revenues:				
Program revenues:				
Charges for services	\$ 251,793	\$ 369,052	\$ 642,486	\$ 674,670
Operating grants and contributions	85,704	80,059	-	-
Capital grants and contributions	654,199	305,054	200,000	-
General revenues:				
Taxes	533,023	543,385	-	-
Licenses, permits, and fees	11,411	17,840	-	-
Grants and contributions not restricted to specific programs	-	-	-	-
Other	118,376	164,265	38,154	(33,873)
Total revenues	1,654,506	1,479,655	804,332	640,797
Expenses:				
General government	695,485	705,110	-	-
Public safety	240,980	201,776	-	-
Streets and highways	137,850	110,557	-	-
Parks and recreation	228,520	204,435	-	-
Community development	-	-	-	-
Interest on long-term debt	1,765	3,564	-	-
Water	-	-	312,207	302,981
Sewer	-	-	188,956	178,393
Total expenses	1,304,600	1,225,442	501,163	481,374
Increase in net assets	349,906	254,213	303,169	159,423
Net assets, beginning	1,627,750	1,373,540	1,330,226	1,170,804
Prior period adjustment	36,061	-	-	-
Net assets, ending	2,013,717	\$ 1,627,753	\$ 1,633,395	\$ 1,330,227

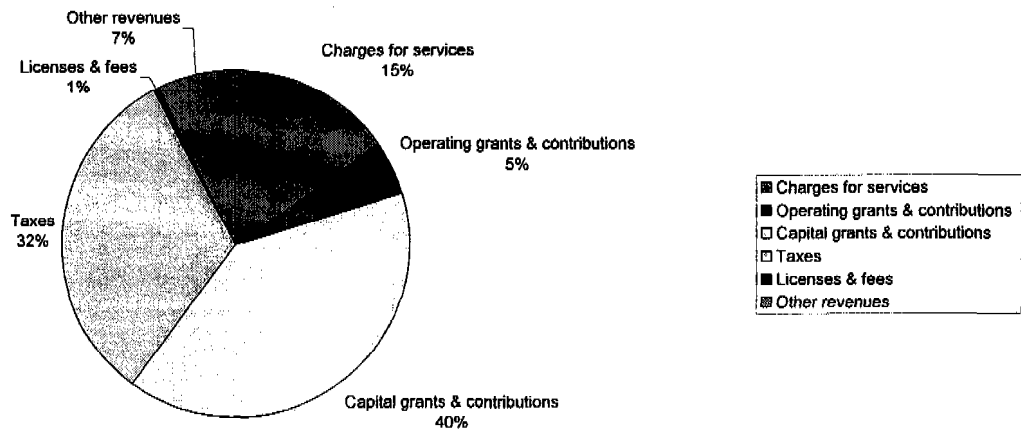
Total resources available during the year to finance governmental operations were \$3,274,075 consisting of Net assets at July 1, 2008 of \$1,627,750, program revenues of \$991,696 and General Revenues of \$662,810. Total Governmental Activities, expenditures during the year were \$1,304,600; thus Governmental Net Assets were increased by \$349,906 to \$2,013,737.

The following graphs compare program expenses to program revenues for this year and provide a breakdown of revenues by source for all governmental activities:

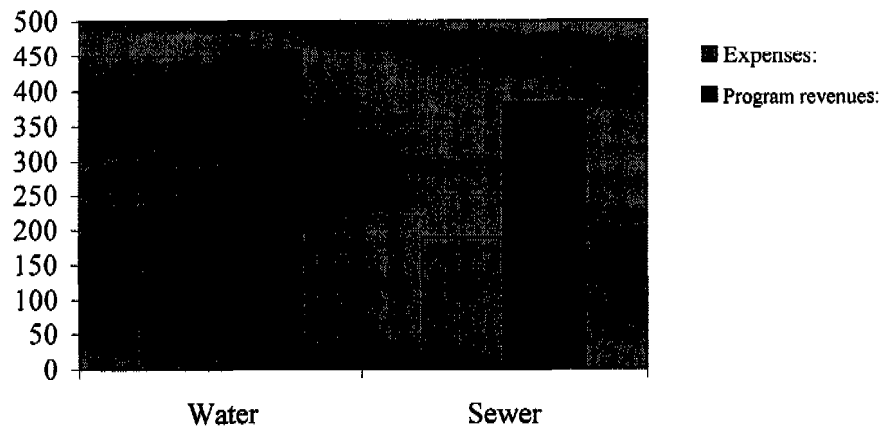
Expenses and Program Revenues - Governmental Activities (in Thousands)



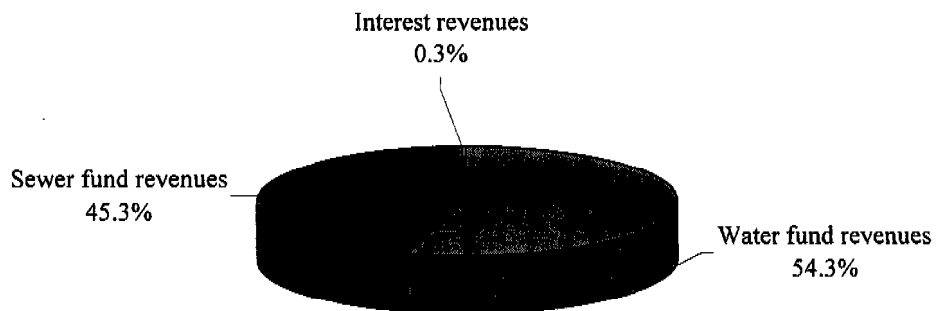
Revenue by Source - Governmental Activities



Expenses and Program Revenues - Business- type Activities
(in Thousands)



Revenue By Source - Business-type Activities



BUDGETARY HIGHLIGHTS

Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions. Capital assets include land, buildings, improvements, equipment, vehicles, and furniture and fixtures. At the end of fiscal year 2009, the City's net capital assets totaled \$4,548,405. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 7 to the financial statements).

Debt

At the end of fiscal year 2009, the City's total government and proprietary -type debt outstanding was \$34,161 and \$1,306,217 respectively.. During the fiscal year, the City's total debt decreased by \$159,109. (See note 8 to the financial statements for detailed descriptions).

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The City's fiscal year 2010 budget shows a slight increase in operating revenues and expenditures. However, the City anticipates additional revenue from increases to mobile telephone and franchise taxes.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City, 26 South 100 West, Milford UT, 84751.

BASIC FINANCIAL STATEMENTS

CITY OF MILFORD, UTAH
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 64,361	\$ 170,637	\$ 234,998
Receivables (net of allowance)	274,799	68,634	343,433
Inventory	14,509	-	14,509
Internal balances	-	-	-
Prepays	-	-	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	283,546	283,546
Capital assets (net of accumulated depreciation):			
Land	110,210	29,537	139,747
Buildings	115,073	1,601	116,674
Improvements	1,452,703	-	1,452,703
Office furniture & Equipment	13,196	-	13,196
Machinery & equipment	28,197	458	28,655
Automobiles and trucks	-	22,669	22,669
Distribution system	-	2,421,183	2,421,183
Infrastructure	353,578	-	353,578
Total assets	<u>2,426,626</u>	<u>2,998,265</u>	<u>5,424,891</u>
Liabilities			
Accounts payable and accrued liabilities	378,749	40,578	419,327
Deferred revenue	-	17,000	17,000
Interest payable	-	1,075	1,075
Noncurrent liabilities:			
Due within one year	7,853	137,912	145,765
Due in more than one year	26,308	1,168,305	1,194,613
Total liabilities	<u>412,910</u>	<u>1,364,870</u>	<u>1,777,780</u>
Net Assets			
Invested in capital assets, net of related debt	2,045,442	1,169,231	3,214,673
Restricted for:			
Debt service	59,897	283,546	343,443
Unrestricted	(91,623)	180,618	88,995
Total Net Assets	<u>\$ 2,013,716</u>	<u>\$ 1,633,395</u>	<u>\$ 3,647,111</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILFORD, UTAH
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 695,485	\$ 131,749	\$ -	\$ 141,643	\$ (422,093)	\$ -
Public safety	240,980	79,034	6,269	-	(155,677)	-
Streets and highways	137,850	-	-	405,376	267,526	-
Parks and recreation	228,520	41,010	79,435	107,180	(895)	-
Interest on long-term debt	1,765	-	-	-	(1,765)	-
Total governmental activities	1,304,600	251,793	85,704	654,199	(312,904)	-
Business-type activities:						
Water	312,207	379,250	-	80,000	-	147,043
Sewer	188,956	263,236	-	120,000	-	194,280
Total business-type activities	501,163	642,486	-	200,000	-	341,323
General Revenues:						
Taxes:						
Property taxes					117,934	-
Sales and use taxes					207,556	-
Franchise taxes					179,298	-
Fee-in-lieu					28,235	-
Licenses, permits, and fees					11,411	-
Unrestricted investment earnings					2,612	2,846
Lease payments					-	-
Loss on retirement of capital assets					-	-
Miscellaneous					74,764	-
Transfers					41,000	(41,000)
Total general revenues & transfers					662,810	(38,154)
Change in net assets					349,906	303,169
Net assets - beginning					1,627,750	1,330,226
Prior-period adjustment					36,061	-
Net assets - ending					\$ 2,013,717	\$ 1,633,395
					\$	\$ 3,647,112

The accompanying notes are an integral part of the financial statements.

CITY OF MILFORD, UTAH
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Cash - designated	64,361	-	64,361
Cash - restricted	-	-	-
Receivables	128,438	146,361	274,799
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
Inventories	14,509	-	14,509
Total assets	<u><u>\$ 207,308</u></u>	<u><u>\$ 146,361</u></u>	<u><u>\$ 353,669</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable & negative cash balances	\$ 227,799	\$ 150,950	\$ 378,749
Accrued liabilities	-	-	-
Customer deposits	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u><u>227,799</u></u>	<u><u>150,950</u></u>	<u><u>378,749</u></u>
Fund Balances:			
Unreserved	(20,491)	-	(20,491)
Designated	-	-	-
Reserved for debt service	-	(4,589)	(4,589)
Total fund balances	<u><u>(20,491)</u></u>	<u><u>(4,589)</u></u>	<u><u>(25,080)</u></u>
Total liabilities and fund balances	<u><u>\$ 207,308</u></u>	<u><u>\$ 146,361</u></u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,072,957
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.	(34,161)
Net assets of governmental activities	<u><u>\$ 2,013,716</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILFORD, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General	Debt Service Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 117,934	\$ -	\$ 117,934
Sales and use taxes	207,556	-	207,556
Franchise taxes	179,298	-	179,298
Fees in lieu of property taxes	28,235	-	28,235
Licenses, permits and fees	11,411	-	11,411
Intergovernmental revenue	248,677	-	248,677
Charges for services	240,342	-	240,342
Interest income	2,612	-	2,612
Miscellaneous revenues	181,944	-	181,944
Swimming pool revenues	60,497	-	60,497
Special Assessment revenue	-	-	-
Total revenues	<u>1,278,506</u>	<u>-</u>	<u>1,278,506</u>
Expenditures			
Current:			
General government	713,172	150	713,322
Public safety	240,373	-	240,373
Highways and streets	133,304	-	133,304
Parks and recreation	305,770	-	305,770
Community development	-	-	-
Capital outlay	-	-	-
Debt service - principal	-	36,000	36,000
Debt service - interest	-	1,765	1,765
Total expenditures	<u>1,392,619</u>	<u>37,915</u>	<u>1,430,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(114,113)</u>	<u>(37,915)</u>	<u>(152,028)</u>
Other Financing Sources (Uses)			
Lease proceeds	-	-	-
Lease payment	-	-	-
Transfers in	41,000	-	41,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>41,000</u>	<u>-</u>	<u>41,000</u>
Net change in fund balances	(73,113)	(37,915)	(111,028)
Fund balances, beginning of year	16,561	33,326	49,887
Prior-period adjustment	36,061	-	36,061
Fund balances, end of year	<u>\$ (20,491)</u>	<u>\$ (4,589)</u>	<u>\$ (25,080)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILFORD, UTAH
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (111,028)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	424,083
Repayment of principal on long-term bonds payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	36,000
Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets.	-
Retirement of a capital asset, which has not been fully depreciated reduces net assets in the statement of net assets, but is not an expenditure in the governmental funds	-
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	(6,646)
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	7,497
Change in net assets of governmental activities	<u>\$ 349,906</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILFORD, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 131,436	\$ 131,436	\$ 117,934	\$ (13,502)
Sales and use taxes	230,000	222,197	207,556	(14,641)
Franchise taxes	166,000	188,000	179,298	(8,702)
Licenses, permits and fees	16,913	14,000	11,411	(2,589)
Intergovernmental revenue	258,979	137,700	248,677	110,977
Charges for services	270,150	239,700	240,342	642
Fees in lieu of property taxes	20,000	30,000	28,235	(1,765)
Interest income	4,000	2,500	2,612	112
Miscellaneous revenues	138,512	184,000	181,944	(2,056)
Swimming pool revenues	57,000	61,000	60,497	(503)
Total revenues	1,292,990	1,210,533	1,278,506	67,973
Expenditures				
Current:				
General government	667,675	562,131	713,172	(151,041)
Public safety	223,583	241,283	240,373	910
Highways and streets	161,041	134,307	133,304	1,003
Parks and recreation	281,691	318,812	305,770	13,042
Community development	-	-	-	-
Capital outlay				
Debt service - principal				
Debt service - interest		-	-	-
Total expenditures	1,333,990	1,256,533	1,392,619	(136,086)
Excess (deficiency) of revenues over (under) expenditures	(41,000)	(46,000)	(114,113)	(68,113)
Other Financing Sources (Uses)				
Lease proceeds		-	-	-
Lease payment		-	-	-
Transfers in	41,000	46,000	41,000	(5,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	41,000	46,000	41,000	(5,000)
Net change in fund balances	-	-	(73,113)	(73,113)
Fund balances, beginning of year	16,561	16,561	16,561	-
Prior-period adjustment	-	-	36,061	36,061
Fund balances, end of year	\$ 16,561	\$ 16,561	\$ (20,491)	\$ (37,052)

The accompanying notes are an integral part of the financial statements.

CITY OF MILFORD, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals 2008</u>
Assets			
Current assets:			
Cash	\$ 92,413	\$ (30,890)	\$ 61,523
Receivables, net of allowance	41,995	26,639	68,634
Due from other funds	-	-	-
Total current assets	<u>134,408</u>	<u>(4,251)</u>	<u>130,157</u>
Noncurrent assets:			
Restricted assets:			
Cash - restricted	181,845	101,701	283,546
Cash - designated	-	109,114	109,114
Capital assets:			
Land	-	29,537	29,537
Buildings	4,293	4,643	8,936
Machinery & equipment	57,349	83,105	140,454
Automobiles and trucks	69,254	36,747	106,001
Distribution system	2,445,959	2,132,234	4,578,193
Less: Accumulated depreciation	<u>(1,245,086)</u>	<u>(1,142,587)</u>	<u>(2,387,673)</u>
Total capital assets net of accumulated depreciation	<u>1,331,769</u>	<u>1,143,679</u>	<u>2,475,448</u>
Total noncurrent assets	<u>1,513,614</u>	<u>1,354,494</u>	<u>2,868,108</u>
Total assets	<u>1,648,022</u>	<u>1,350,243</u>	<u>2,998,265</u>
Liabilities			
Current liabilities:			
Accounts payable	2,661	859	3,520
Accrued liabilities	7,853	14,361	22,214
Customer deposits	14,844	-	14,844
Deferred revenue	8,500	8,500	17,000
Interest payable	953	122	1,075
Current portion of noncurrent liabilities	67,763	70,149	137,912
Total current liabilities	<u>102,574</u>	<u>93,991</u>	<u>196,565</u>
Noncurrent liabilities:			
Leases payable	-	-	-
Bonds payable	839,763	466,454	1,306,217
Less current portion of noncurrent liabilities	<u>(67,763)</u>	<u>(70,149)</u>	<u>(137,912)</u>
Total noncurrent liabilities	<u>772,000</u>	<u>396,305</u>	<u>1,168,305</u>
Total liabilities	<u>874,574</u>	<u>490,296</u>	<u>1,364,870</u>
Net Assets			
Invested in capital assets, net of related debt	492,006	677,225	1,169,231
Restricted for debt service	181,845	101,701	283,546
Designated	-	109,114	109,114
Unrestricted	99,597	(28,093)	71,504
Total net assets	<u>\$ 773,448</u>	<u>\$ 859,947</u>	<u>\$ 1,633,395</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILFORD, UTAH
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Water Fund	Sewer Fund	Totals 2008
Operating revenues:			
Charges for services	\$ 370,732	\$ 261,004	\$ 631,736
Other revenues	5,185	-	5,185
Total operating revenues	<u>375,917</u>	<u>261,004</u>	<u>636,921</u>
Operating expenses:			
Salaries, wages, & benefits	133,633	101,763	235,396
Repairs & maintenance	19,051	3,734	22,785
Utilities	41,807	5,732	47,539
Supplies	5,024	5,024	10,048
Legal & professional fees	9,555	3,790	13,345
Miscellaneous	2,728	310	3,038
Depreciation	79,099	68,121	147,220
Total operating expenses	<u>290,897</u>	<u>188,474</u>	<u>479,371</u>
Operating income (loss)	<u>85,020</u>	<u>72,530</u>	<u>157,550</u>
Nonoperating revenues (expenses):			
Connection and impact fees	3,333	2,232	5,565
Interest income	157	2,689	2,846
Grant revenue	-	-	-
Lease payment	-	-	-
Interest expense and fiscal charges	(21,310)	(482)	(21,791)
Total nonoperating revenues (expenses)	<u>(17,820)</u>	<u>4,439</u>	<u>(13,380)</u>
Income before contributions and transfers	<u>67,200</u>	<u>76,969</u>	<u>144,170</u>
Capital contributions	80,000	120,000	200,000
Transfers from other funds	-	-	-
Transfers to other funds	(20,000)	(21,000)	(41,000)
Change in net assets	<u>127,200</u>	<u>175,969</u>	<u>303,170</u>
Total net assets, beginning of year	646,248	683,978	1,330,226
Total net assets, end of year	<u>\$ 773,448</u>	<u>\$ 859,947</u>	<u>\$ 1,633,396</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILFORD, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Water Fund	Sewer Fund	Totals 2008
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 384,712	\$ 258,397	\$ 643,109
Cash received from customers, capacity fees and other	5,185	-	5,185
Cash paid to suppliers	(75,469)	(14,957)	(90,426)
Cash paid to employees	(133,633)	(101,763)	(235,396)
Net cash provided by operating activities	<u>180,795</u>	<u>141,677</u>	<u>322,472</u>
Cash flows from noncapital financing activities:			
Transfers (to) from other funds	(20,000)	(21,000)	(41,000)
Lease payment	-	-	-
Proceeds from state and federal grants	-	-	-
Net cash used by noncapital financing activities	<u>(20,000)</u>	<u>(21,000)</u>	<u>(41,000)</u>
Cash flows from capital and related financing activities:			
Principal payments on capital leases	-	-	-
Principal payments on bonds	(69,002)	(72,920)	(141,922)
Capital contributions	80,000	120,000	200,000
Interest paid	(21,310)	(482)	(21,792)
Purchase of fixed assets	(109,307)	(135,578)	(244,885)
Connection and impact fees	3,333	2,232	5,565
Net cash used by capital and related financing activities:	<u>(116,286)</u>	<u>(86,748)</u>	<u>(203,034)</u>
Cash flows from investing activities:			
Interest on investments	<u>157</u>	<u>2,689</u>	<u>2,846</u>
Change in cash and cash equivalents	44,666	36,618	81,284
Cash and cash equivalents, beginning of year including restricted cash of \$382,973	<u>229,592</u>	<u>143,307</u>	<u>372,899</u>
Cash and cash equivalents, end of year including restricted cash of \$392,660	<u><u>\$ 274,258</u></u>	<u><u>\$ 179,925</u></u>	<u><u>\$ 454,183</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income (loss)	\$ 85,020	\$ 72,530	\$ 157,550
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation/amortization	79,099	68,121	\$ 147,220
Changes in operating assets and liabilities:			
(Increase) Decrease in receivables	9,377	(2,607)	6,770
(Increase) Decrease in inventory	-	-	-
Increase (Decrease) in accounts payable	1,646	(156)	1,490
Increase (Decrease) in customer deposits	4,603	-	4,603
Increase (Decrease) in deferred revenue	-	-	-
Increase (Decrease) in accrued liabilities	1,050	3,789	4,839
Net cash provided by operating activities	<u><u>\$ 180,795</u></u>	<u><u>\$ 141,677</u></u>	<u><u>\$ 322,472</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies

General

The financial statements of the City of Milford, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the City.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the City.

The Sewer Fund is used to account for the provision of sewer services to the residents of the City.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies, Continued

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

All trade accounts receivable are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and prepaid items

Other than the airport's aviation fuel, the costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. The City's aviation fuel inventory is recorded at cost on the first-in first-out (FIFO) method. All other City inventories are considered immaterial; thus, no provision for inventory has been made for them in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The city has elected not to retroactively report its infrastructure capital assets.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	20-40 years
Automobiles and trucks	5-7 years
Machinery and equipment	7 years

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Accrued Benefits

Accumulated unpaid vacation and other employee benefit amounts are accrued as an expenditure at year end.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Use of Restricted Assets

When both restricted and unrestricted assets are available for use, it is the City's policy to use restricted assets first, then unrestricted assets as they are needed; but reserves the right to be selective in the use of such restricted assets that best fit City needs.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$34,161 difference are as follows:

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Long-term debt transactions:

Leases payable	\$ 7,853
Total governmental funds' compensated absences	26,308
Bonds payable	<u>-</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 34,161</u>

Capital related items:

When capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 3,457,234
Accumulated depreciation	<u>(1,384,277)</u>
Total Difference	<u>\$ 2,072,957</u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference of \$424,083 are as follows:

Capital outlay	\$ 561,603
Depreciation expense	<u>(137,520)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental funds	<u>\$ 424,083</u>

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

The City Council observes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the first meeting in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are required for the General Fund, Debt Service Fund, and the Enterprise Funds.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to June 22, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts within departments; however, to transfer budgeted amounts between departments requires City Council approval. Any revisions that alter the total expenditures of any fund must be approved through public hearing by the City Council and can be made at any time during the fiscal year.

Budgets for the General Fund and Debt Service Funds are prepared on the modified accrual method of accounting. Budgets for the Enterprise Funds are prepared on the accrual basis of accounting. Control is maintained at the function level. (i.e. Public Safety, Highways and Public Improvements, etc.) All appropriations lapse at year-end. Utah State law requires budgets to be prepared and reported on for the General Fund, and Major Special Revenue Funds. The General Fund budget was amended during the current fiscal year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 3. Stewardship, Compliance and Accountability, Continued

Property Taxes

Property taxes are collected by the Beaver County Treasurer and remitted to the City in monthly installments. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

Note 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. At June 30, 2009, cash on hand was \$200, and the carrying amount of the City's deposits was \$5,368. As of June 30, 2009, the City's bank balance of \$30,297 was fully insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 4. Deposits and Investments, Continued

or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2009, the City had the following investments and maturities:

Investment Type	Fair Value	Investments' Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 283,657	\$ 283,657	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 283,657</u>	<u>\$ 283,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 4. Deposits and Investments, Continued

At June 30, 2009, the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	283,657	-	-	-	283,657
Total Fair Value	<u>\$ 283,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,657</u>

The City's cash deposits and investments are summarized as follows:

Carrying amount of demand deposits and petty cash	\$ 5,568
State of Utah Public Treasurer's Investment Fund	283,657
Cash and cash equivalents	<u>\$ 289,225</u>

The City's cash deposits and investments are further summarized and presented in the financial statements at cost as follows:

	Total	Designated	Restricted	Unrestricted
Sewer Fund	\$ 179,925	\$109,114	\$ 101,701	\$ (30,890)
Water Fund	274,258	-	181,845	92,413
General Fund	(14,010)	64,361	-	(78,371)
SID Debt Service Fund	(150,950)	-	-	(150,950)

The restricted cash is classified as such to meet bond requirements (See Note 5). The designated cash amounts are set aside to accumulate sums large enough to accomplish various large future projects of the City.

Cash and cash equivalents include cash on hand, demand deposits with Wells Fargo Bank, and deposits in a cash management pool that has the general characteristics of demand deposit accounts.

One fund has a cash deficit position in the pooled cash of the City. Such deficit is as follows:

Debt Service Fund	\$ 150,950
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CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 5. Restricted Assets

The revenue bonds issued by the water and sewer funds in fiscal year ended June 30, 1991, June 30, 1996 and June 30, 2002 were financed by the Utah State Division of Finance. In connection with these revenue bond obligations, the City has restricted \$181,845 from the Water Fund and \$101,701 from the Sewer Fund's investments with the State Treasurer's Investment Fund Account at June 30, 2008.

Note 6. Net Investment in Capital Lease

The City has entered into a lease agreement to purchase a street sweeper. The lease is considered a capital lease in accordance with Financial Accounting Standards Board statement number 13. The lease is with Wells Fargo Leasing and the debt is owed by the General Fund. Equipment under this capitalized lease at June 30, 2009, amounts to \$33,720. At June 30, 2009, \$22,480 in depreciation has been taken against the street sweeper. The following is an annual schedule of future minimum lease payments at 3.80 percent, together with the present value of the net minimum lease payments:

<u>Year Ending June 30,</u>	<u>Street Sweeper Wells Fargo Leasing</u>
2010	<u>8,090</u>
Total remaining minimum lease payments	8,090
Less: Amount representing interest	<u>237</u>
Present value of net remaining minimum lease payments	<u><u>\$ 7,853</u></u>

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 7. Capital Assets

A summary of changes in fixed assets follows:

Governmental Activities:

	6/30/2008	Additions	Deletions	6/30/2009
Capital assets not being depreciated:				
Land	\$ 110,210	\$ -	\$ -	\$ 110,210
Total capital assets, not being depreciated	110,210	-	-	110,210
Capital assets being depreciated:				
Buildings	\$ 353,432	\$ -	\$ -	\$ 353,432
Improvements other than buildings	2,040,846	214,211	-	2,255,057
Machinery and Equipment	269,728	-	-	269,728
Automobiles and trucks	36,679	-	9,550	27,129
Office furniture and equipment	71,389	3,996	3,120	72,265
Infrastructure	26,017	343,396	-	369,413
Total capital assets, being depreciated	2,798,091	561,603	12,670	3,347,024
Less accumulated depreciation for:				
Buildings	\$ (224,409)	\$ (13,950)	\$ -	\$ (238,359)
Improvements other than buildings	(706,313)	(96,041)	-	(802,354)
Machinery and Equipment	(230,288)	(11,243)	-	(241,531)
Automobiles and trucks	(36,679)	-	9,550	(27,129)
Office furniture and equipment	(58,170)	(4,019)	3,120	(59,069)
Infrastructure	(3,568)	(12,267)	-	(15,835)
Total accumulated depreciation	(1,259,427)	(137,520)	12,670	(1,384,277)
Total capital assets, being depreciated,	1,538,664	424,083	-	1,962,747
Total capital assets, net	\$ 1,648,874	\$ 424,083	\$ -	\$ 2,072,957

Depreciation expense was charged to the functions/programs of the City as follows:

General government	\$ 89,855
Highways & streets	20,439
Parks & recreation	26,619
Public safety	607
Total depreciation expense	<u>\$ 137,520</u>

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 7. Capital Assets, Continued

Business-Type Activities:

	<u>6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2009</u>
Capital assets not being depreciated:				
Land	\$ 13,959	\$ 15,578	\$ -	\$ 29,537
Total capital assets, not being depreciated	<u>13,959</u>	<u>15,578</u>	<u>-</u>	<u>29,537</u>

Capital assets being depreciated:

Buildings	\$ 8,936	\$ -	\$ -	8,936
Machinery and Equipment	140,454	-		140,454
Automobiles and trucks	85,359	27,757	7,115	106,001
Distribution system	4,376,641	201,553		4,578,194
Total capital assets, being depreciated	<u>4,611,390</u>	<u>229,310</u>	<u>7,115</u>	<u>4,833,585</u>

Less accumulated depreciation for:

Buildings	\$ (6,889)	\$ (447)	\$ -	\$ (7,336)
Machinery and Equipment	(134,444)	(5,551)	-	(139,995)
Automobiles and trucks	(85,358)	(5,089)	7,115	(83,332)
Distribution system	(2,020,878)	(136,133)	-	(2,157,011)
Total accumulated depreciation	<u>(2,247,569)</u>	<u>(147,220)</u>	<u>7,115</u>	<u>(2,387,674)</u>
Total capital assets, being depreciated,	<u>2,363,821</u>	<u>82,090</u>	<u>14,230</u>	<u>2,445,911</u>
Total capital assets, net	<u><u>\$ 2,377,780</u></u>	<u><u>\$ 97,668</u></u>	<u><u>\$ 14,230</u></u>	<u><u>\$ 2,475,448</u></u>

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 8. Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2009:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Revenue Bonds Payable 1990 - Water Funds	\$ 2,763	\$ -	\$ 2,763
Revenue Bonds Payable 1990 - Sewer Funds	8,149	245	8,394
Revenue Bonds Payable 2000 - Water Funds	582,000	139,410	721,410
Revenue Bonds Payable 1996 - Sewer Funds	458,305	-	458,305
Revenue Bonds Payable 1996 - Water Funds	255,000	10,480	265,480
Special Assessments Bonds Payable 1998	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 1,306,217</u>	<u>\$ 150,135</u>	<u>\$ 1,456,352</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Revenue Bonds Payable 1990 - Water Funds	\$ 7,763	\$ -	\$ 5,000	\$ 2,763	\$ 2,763
Revenue Bonds Payable 1990 - Sewer Funds	16,068	-	7,919	8,149	8,149
Revenue Bonds Payable 2000 - Water Funds	615,000	-	33,000	582,000	34,000
Revenue Bonds Payable 1996 - Sewer Funds	523,305	-	65,000	458,305	65,000
Revenue Bonds Payable 1996 - Water Funds	286,000	-	31,000	255,000	31,000
Special Assessments Bonds Payable 1998	36,000	-	36,000	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt	<u>\$ 1,484,136</u>	<u>\$ -</u>	<u>\$ 177,919</u>	<u>\$ 1,306,217</u>	<u>\$ 140,912</u>

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 8. Long-Term Debt, Continued

Revenue Bonds Payable - Sewer Fund

Revenue bonds were issued January 1, 1990, to finance construction of improvements and repairs to the City's sewer system. The City authorized the sale of \$125,000 in revenue bonds bearing a 3% interest rate to the Utah Water Pollution Control Committee, Department of Health, Division of Environmental Health. The bond provision requires the City to make the principal and interest payments on the bonds from net revenues of the sewer system. The required annual principal and interest payment is \$8,401.96. The balance still outstanding at June 30, 2009, is \$8,149.

Revenue Bonds Payable - Water Fund

Revenue bonds were issued October 10, 1990, to finance construction of improvements and repairs to the City's water system. The City authorized the sale of \$100,000 in revenue bonds bearing a 0% interest rate to the Utah Safe Drinking Water Committee, Division of Drinking Water. The bond provision requires the City to make the principal payments on the bonds from net revenues of the water system. The required annual principal payment is \$5,000. The balance still outstanding at June 30, 2009, is \$2,763.

Revenue Bonds Payable - Sewer Fund

Revenue bonds were issued August 22, 1995, to finance construction of improvements and additions to the sewer system. The City authorized the sale of \$1,304,000 in non-interest bearing revenue bonds to the Water Quality Board of the State of Utah. The bond provision requires the City to make the principal payments on the bonds from net revenues of the sewer system. The required annual principal payment is \$65,000. The balance still outstanding at June 30, 2009 is \$458,305.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 8. Long-Term Debt, Continued

Revenue Bonds Payable - Water Fund

Revenue bonds were issued August 22, 1995, to finance construction of improvements and additions to the water system. The City authorized the sale of \$594,000 in 1% interest bearing revenue bonds to the Board of Water Resources, Department of Natural Resources of the State of Utah. The bond provision requires the City to make the principal payments on the bonds from net revenues of the water system. The required annual principal payment is on a graduated scale beginning at \$30,000. The balance still outstanding at June 30, 2009 is \$255,000.

Revenue Bonds Payable - Water Fund

Revenue bonds were issued April 8, 2002, to finance construction of improvements and additions to the water system. The City authorized the sale of \$766,000 in 3% interest bearing revenue bonds to the Board of Water Resources, Department of Natural Resources of the State of Utah. The bond provision requires the City to make the principal payments on the bonds from net revenues of the water system. The required annual principal payment is on a graduated scale beginning at \$31,000. The balance still outstanding at June 30, 2009 is \$582,000.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 8. Long-Term Debt, Continued

The annual requirements to amortize long-term debt outstanding at June 30, 2009, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	140,911	20,255	161,166
2011	136,000	18,680	154,680
2012	138,000	17,270	155,270
2013	139,000	15,820	154,820
2014	140,000	14,340	154,340
2015	143,000	12,830	155,830
2016	145,000	11,250	156,250
2017	45,305	9,630	54,935
2018	43,000	8,370	51,370
2019	44,000	7,080	51,080
2020	46,000	5,760	51,760
2021	47,000	4,380	51,380
2022	49,000	2,970	51,970
2023	50,000	1,500	51,500
2024	-	-	-
Totals	<u>\$ 1,306,216</u>	<u>\$ 150,135</u>	<u>\$ 1,456,351</u>

Note 9. Defined Benefit Pension Plan

Local Governmental – Cost Sharing

Plan Description. The City of Milford contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

CITY OF MILFORD, UTAH
Notes to the Financial Statements
June 30, 2009

Note 9. Defined Benefit Pension Plan, Continued

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code*, Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System the City of Milford is required to contribute 11.62% of their annual covered salary. All or part may be paid by the employer for the employee. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City of Milford's contributions to the Noncontributory Retirement System for June 30, 2009, 2008, and 2007 were \$36,835, \$34,543, and \$35,794, respectively. The contributions were equal to the required contributions for each year.

Note 10. Risk Management

The City maintains insurance for liability, auto liability, worker's compensation and employee dishonesty through Utah Local Government's Insurance Trust.

Note 11. Prior Period Adjustment

A prior period adjustment was posted to the general fund to remove an account payable to the Beaver County Sheriff, which had been paid in a previous year. The effect of this adjustment was to increase fund balance in the general fund by \$36,061 and decrease the general fund's accounts payable balance by the same amount.

SUPPLEMENTARY INFORMATION

City of Milford
Impact Fees on Hand
Fiscal Year Ending June 30, 2009

Projects From Which Funds Were Collected	Recreation	Water	Sewer	Year Received
David Tapia	\$387.08	\$596.36		FY07
Bert Stratton		\$1,068.35		FY07
Mike Hutchings		\$1,068.35		FY07
Interest	\$3.42	\$132.60		
Total Collected for FY 2007	\$390.50	\$2,865.66	\$0.00	
Tushar Construction	\$1,387.80	\$3,203.97		FY08
Vickie Smith	\$471.85	\$1,089.35		FY08
Cody Dotson	\$471.85	\$1,089.35		FY08
Interest	\$96.00	\$415.83		
Total Collected for FY 2008	\$2,427.50	\$5,798.50	\$0.00	
Tushar Contracting	\$481.29	\$1,111.14	\$718.29	FY09
Kevin Demille	\$962.58	\$2,222.28	\$1,487.78	FY09
Interest	\$72.56	\$224.39	\$83.36	
Total Collected for FY 2009	\$1,516.43	\$3,557.81	\$2,289.43	
Total Collected & Unspent @ 6/30/09	\$4,334.43	\$12,221.97	\$2,289.43	

City of Milford
Projected Expenditures of Impact Fees on Hand
Fiscal Year Ending June 30, 2009

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
General Fund					
Water					
Sewer					

No Projected Projects

AUDITORS' REPORTS FOR FEDERAL AND STATE

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HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

**Independent Auditors' Report on Internal
Control over Financial Reporting and on Compliance
And Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With Government Auditing Standards**

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

The Honorable Mayor and
Members of the City Council
Milford, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Milford City, Utah, as of and for the year ended June 30, 2009, which collectively comprise the City of Milford's basic financial statements and have issued our report thereon dated August 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Milford City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Milford City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting.

08-01 Reconciliations and Year-End Accounting

08-02 Sufficient Governmental Accounting Expertise

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the following finding to be a material weakness.

08-01 Reconciliations and Year-End Accounting

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Milford City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance, which we have reported to the management of Milford City in the accompanying findings and recommendations letter dated August 12, 2009.

Milford City's response to the findings identified in our audit is described in their accompanying response letter. We did not audit Milford City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the mayor, management, the city council, and the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
August 12, 2009

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HINTON BURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

**Independent Auditors' Report on Compliance with
State Laws and Regulations Based on an Audit
of the Basic Financial Statements Performed in
Accordance with
*Government Auditing Standards***

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

The Honorable Mayor and
Members of the City Council
Milford, Utah

We have audited the basic financial statements of Milford City, for the year ended June 30, 2009, and have issued our report thereon dated August 12, 2009. As part of our audit, we have audited the City of Milford's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

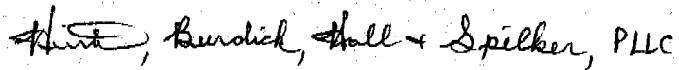
Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other General Compliance Requirements
Uniform Building Code Standards
Impact Fees and Other Development Fees
Asset Forfeiture
Utah Retirement System

The management of Milford City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Recommendations dated August 12, 2009. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph

In our opinion, Milford City, Utah complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2009.

 HINTON, BURDICK, HALL & SPILKER, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
August 12, 2009



SCHEDULE OF FINDINGS AND RECOMMENDATIONS

The Honorable Mayor,
City Council, & City Staff
Milford, Utah

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

Dear Ladies and Gentlemen:

During this year's audit, we encountered several findings that we are required to report to you and other appropriate oversight entities. They are listed below for your consideration. Please note that Statement on Auditing Standards number 112 is still effective for this year's findings and recommendations letter and the following findings have been issued in accordance with that standard, which by most interpretations, is much more stringent than prior years' standards.

Material Weakness:

08-01. Reconciliations and Year-End Accounting

During our audit we made recommendations for various journal entries that were necessary to make accruals, record debt payments properly, capitalize fixed asset purchases, and other miscellaneous adjustments. The effect of these journal entries was material to the financial statements.

Recommendation

We recommend that management review the journal entries and discuss them with us to ensure they understand and are in agreement with the entries and that they understand the purpose and underlying accounting principles associated with each entry. We also recommend that the City develop an action plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place.

Significant Deficiency:

08-02. Sufficient Governmental Accounting Expertise

Statement on Auditing Standards #112 indicates that it is a significant deficiency in the City's internal controls when the City's personnel do not have sufficient expertise to select and apply generally accepted accounting principles and prepare the City's financial

statements. It is our opinion that the City's personnel lack that level of expertise in the governmental accounting field.

Recommendation

We suggest the City consider providing its accounting personnel with the appropriate training to provide them with the needed accounting expertise. In making that decision we recommend you consider the cost effectiveness of doing so.

Compliance Findings and Recommendations:

08-03. Finding – Exceeding Budget Appropriations

The Fiscal Procedures Act for Utah Cities, Section 10-6-123 states, "No expenditures or encumbrances can be made in excess of appropriation for any department." The debt service fund and general government department in the general fund have over-expended their budget. We noted that the City's budget was amended at year-end in an effort to comply with this law.

Recommendation

We recommend that the City continue their diligent efforts to operate within the confines of State law by limiting expenditures or following proper procedures to adjust the departmental budgets.

08-04. Findings - General Fund Balance

Utah Code 10-6-116(4) requires the general fund balance be maintained at an amount above 5% of the fund's total revenues. At June 30, 2009, the general fund balance was still below that required level. In fact, the general fund balance was negative at June 30, 2009, which circumstance the State Auditor's Office has indicated is against state law.

Recommendation

We suggest that the City budget this year's general fund revenues and expenditures so as to raise the fund balance above the required minimum amount.


Other Matters:

None

This letter is intended solely for the use of the City Council and management

It has been a pleasure to be of service to the City this past year. Observations made during our audit evidence the fact that as City officials you are carefully fulfilling your stewardship to the citizens of Milford. If we can be of further assistance in any way to assist you in fulfilling your stewardship, please contact us at any time. We look forward to a continued pleasant professional relationship.

Sincerely,

 *Burdick, Hall & Spilker, PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC

August 12, 2009

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City of Milford
P.O. Box 69
Milford, Utah 84751
435 387-2711
Fax: 435 387-2748
.....

August 25, 2009

MacRay Curtis
Office of the Utah State Auditor
211 State Capitol
Salt Lake City, Utah 84114

Re: Schedule of Findings and Questioned Costs

Dear Sirs,

Following is Milford City's response to the Schedule of Findings and Questioned Costs for fiscal year 2007- 2008.

Material Weakness

Finding 07-01 – Reconciliations and Year-End Accounting

Our office staff understands and are in agreement with the journal entries made by the auditor at year-end. The City will continue to make every attempt to book journal entries as deemed necessary before the audit starts.

Significant Deficiency

Finding 07-02 – Sufficient Governmental Accounting Expertise

To fully comply with Statement on Auditing Standards #112, Milford City would have to hire a Certified Public Accountant with expertise in governmental standards accounting. However the City will continue to attend training exercises to further their knowledge on accounting standards.

Compliance Findings and Recommendations

Finding 07-03 - Exceeding Budget Appropriations

Each year we attempt to analyze and compare actual expenditures versus budgeted amounts. The budget is opened in a public hearing for the purpose of amending each department's revenues and expenditures, which then are adjusted. Journal entries made by the City Auditor create over-expended budget amounts. We will continue to strive to keep our budget in compliance with all state laws.

Finding 07-04 – General Fund Balance

We realize the serious nature of the general fund balance finding. We have taken steps in the 2009-2010 budget to correct the negative fund balance. Every attempt is being made to address this situation. Our correction plan includes several reductions in expenditures and methods to increase revenue. We continue to monitor the general fund balance with diligence on a monthly basis.

Sincerely,

Nedra Kennedy
City Manager

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